

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Concord	County Jackson
Fiscal Year End December 31, 2006	Opinion Date June 21, 2007	Date Audit Report Submitted to State June 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

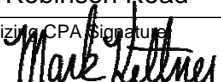
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

VILLAGE OF CONCORD

Jackson County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2006**



REHMANN ROBSON

Certified Public Accountants

VILLAGE OF CONCORD

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

June 21, 2007

The President and Village Council
Village of Concord
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***Village of Concord, Michigan***, as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Concord, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Concord's basic financial statements. The individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF CONCORD, MICHIGAN
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 461,416	\$ 94,260	\$ 555,676
Receivables	197,900	31,836	229,736
Internal balances	27,877	(27,877)	-
Prepaid items and other assets	3,850	517	4,367
Capital assets not being depreciated	140,000	45,619	185,619
Capital assets being depreciated, net	1,870,673	1,308,701	3,179,374
Total assets	2,701,716	1,453,056	4,154,772
Liabilities			
Accounts payable and accrued liabilities	17,983	4,554	22,537
Accrued interest	13,206	-	13,206
Unearned revenue	129,148	2,184	131,332
Long-term debt:			
Due within one year	84,935	20,000	104,935
Due in more than one year	952,811	-	952,811
Total liabilities	1,198,083	26,738	1,224,821
Net assets			
Invested in capital assets, net of related debt	985,904	1,334,320	2,320,224
Restricted for:			
Capital projects	78,644	-	78,644
Other purposes	208,537	-	208,537
Unrestricted	230,548	91,998	322,546
Total net assets	\$ 1,503,633	\$ 1,426,318	\$ 2,929,951

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Activities
For the Year Ended December 31, 2006

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government	\$ 78,881	\$ 166,540	\$ -	\$ 87,659
Highways and streets	50,639	-	98,532	47,893
Public safety	265,119	108,439	-	(156,680)
Public works	272,003	-	-	(272,003)
Parks and recreation	23,777	-	-	(23,777)
Unallocated depreciation	181,771	-	-	(181,771)
Total governmental activities	872,190	274,979	98,532	(498,679)
Business-type activities:				
Water	139,932	132,051	11,159	3,278
Sewer	133,874	90,948	-	(42,926)
Total business-type activities	273,806	222,999	11,159	(39,648)
Total	\$ 1,145,996	\$ 497,978	\$ 109,691	\$ (538,327)

continued...

VILLAGE OF CONCORD, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended December 31, 2006

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	\$ (498,679)	\$ (39,648)	\$ (538,327)
General revenues:			
Property taxes	314,852	-	314,852
State shared revenue	112,959	-	112,959
Grants and contributions not restricted to specific programs	29,653	17,674	47,327
Unrestricted investment earnings	29,173	3,479	32,652
Transfers-internal activities	(9,000)	9,000	-
Total general revenues and transfers	477,637	30,153	507,790
Change in net assets	(21,042)	(9,495)	(30,537)
Net assets, beginning of year, as restated	1,524,675	1,435,813	2,960,488
Net assets, end of year	\$ 1,503,633	\$ 1,426,318	\$ 2,929,951

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF CONCORD, MICHIGAN
Balance Sheet
Governmental Funds
December 31, 2006

	General	Major Streets	Local Streets
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 157,055	\$ 129,893	\$ 63,100
Accounts receivable	114,699	-	-
Taxes receivable	21,458	2,031	6,663
Due from other governments	38,928	9,782	4,339
Due from other funds	65,649	5,142	3,012
Prepaid expenditures	3,280	285	285
	<hr/>	<hr/>	<hr/>
	\$ 401,069	\$ 147,133	\$ 77,399
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>			
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 6,531	\$ 104	\$ 463
Deferred revenue	121,392	1,774	5,982
Due to other funds	18,557	1,136	21,678
Deposits payable	1,125	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	147,605	3,014	28,123
	<hr/>	<hr/>	<hr/>
Fund balance			
Reserved for prepaids	3,280	285	285
Designated for employee leave	10,348	-	-
Unreserved, undesignated	239,836	143,834	48,991
	<hr/>	<hr/>	<hr/>
Total fund balance	253,464	144,119	49,276
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<hr/>	<hr/>	<hr/>
	\$ 401,069	\$ 147,133	\$ 77,399
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Fire	Capital Projects	Nonmajor Debt Service	Total
\$ 29,456	\$ 78,644	\$ 3,268	\$ 461,416
-	-	-	114,699
-	-	-	30,152
-	-	-	53,049
-	-	-	73,803
-	-	-	3,850
\$ 29,456	\$ 78,644	\$ 3,268	\$ 736,969

\$ 9,760	\$ -	\$ -	\$ 16,858
-	-	-	129,148
4,554	-	1	45,926
-	-	-	1,125

14,314	-	1	193,057
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-	-	-	3,850
-	-	-	10,348
15,142	78,644	3,267	529,714

15,142	78,644	3,267	543,912
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\$ 29,456	\$ 78,644	\$ 3,268	\$ 736,969
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VILLAGE OF CONCORD, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2006

Fund balance - governmental funds	\$ 543,912
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets, net	2,010,673
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Certain liabilities, such as bonds and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: accrued interest on bonds	(13,206)
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Deduct: compensated absences	(12,977)
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Deduct: bonds and capital leases payable	<u>(1,024,769)</u>
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Net assets of governmental activities	<u><u>\$ 1,503,633</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2006

	General	Major Streets	Local Streets
Revenue			
Property taxes	\$ 225,407	\$ 20,426	\$ 69,019
Intergovernmental:			
State	114,061	67,411	31,121
Other governments	55,593	-	-
Licenses and permits	3,915	-	-
Charges for services	122,350	-	-
Interest revenue	4,904	5,222	2,069
Other revenue	51,684	-	-
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Total revenue	577,914	93,059	102,209
	<hr/>	<hr/>	<hr/>
Expenditures			
General government	112,709	-	-
Public safety	137,468	-	-
Public works	202,685	31,775	41,596
Parks and recreation	23,777	-	-
Capital outlay	20,493	-	-
Debt service:			
Principal	38,162	10,000	20,000
Interest	10,902	6,670	37,556
	<hr/>	<hr/>	<hr/>
Total expenditures	546,196	48,445	99,152
	<hr/>	<hr/>	<hr/>
Revenue over expenditures	31,718	44,614	3,057
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from sale of capital assets	18,000	-	-
Transfers in	13,500	-	-
Transfers out	(111,184)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(79,684)	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(47,966)	44,614	3,057
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year, as restated	301,430	99,505	46,219
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 253,464</u>	<u>\$ 144,119</u>	<u>\$ 49,276</u>

The accompanying notes are an integral part of these financial statements.

Fire	Capital Projects	Nonmajor Debt Service	Total
\$ -	\$ -	\$ -	\$ 314,852
-	-	-	212,593
-	-	-	55,593
-	-	-	3,915
51,626	-	-	173,976
2,121	14,705	152	29,173
362	-	-	52,046
54,109	14,705	152	842,148
-	-	-	112,709
70,115	-	-	207,583
-	-	-	276,056
-	-	-	23,777
33,874	444,630	-	498,997
23,662	-	-	91,824
-	-	-	55,128
127,651	444,630	-	1,266,074
(73,542)	(429,925)	152	(423,926)
-	-	-	18,000
88,684	-	-	102,184
-	-	-	(111,184)
88,684	-	-	9,000
15,142	(429,925)	152	(414,926)
-	508,569	3,115	958,838
\$ 15,142	\$ 78,644	\$ 3,267	\$ 543,912

VILLAGE OF CONCORD, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006

Net change in fund balance - governmental funds	\$ (414,926)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	478,141
Deduct: depreciation expense	(181,771)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	91,824
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for interest	5,134
Add: decrease in the accrual for compensated absences	556

Change in net assets of governmental activities	\$ (21,042)
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenue				
Property taxes	\$ 227,486	\$ 240,012	\$ 225,407	\$ (14,605)
Intergovernmental:				
State	117,745	117,745	114,061	(3,684)
Other governments	106,022	53,165	55,593	2,428
Licenses and permits	2,500	3,500	3,915	415
Charges for services	111,500	111,600	122,350	10,750
Interest revenue	2,000	3,000	4,904	1,904
Other revenue	65,380	59,460	51,684	(7,776)
Total revenue	<u>632,633</u>	<u>588,482</u>	<u>577,914</u>	<u>(10,568)</u>
Expenditures				
General government:				
Village Council	14,232	14,635	11,534	(3,101)
Village President	5,411	5,411	4,837	(574)
Clerk	52,772	49,297	44,314	(4,983)
Treasurer	2,241	2,241	2,028	(213)
Building and grounds	29,078	31,897	22,257	(9,640)
General administrative	15,977	26,988	27,739	751
Total general government	<u>119,711</u>	<u>130,469</u>	<u>112,709</u>	<u>(17,760)</u>
Public safety:				
Police	144,990	146,762	128,505	(18,257)
Fire	71,417	-	-	-
Inspectors	2,700	2,797	3,755	958
Planning Commission	5,150	5,350	5,208	(142)
Total public safety	<u>224,257</u>	<u>154,909</u>	<u>137,468</u>	<u>(17,441)</u>
Public works:				
Motor pool	32,942	38,482	41,691	3,209
Trees	15,561	17,641	17,734	93
Sidewalks	23,607	28,793	6,539	(22,254)
Streetlights	15,000	16,000	15,911	(89)
Rubbish collection	122,052	123,052	120,810	(2,242)
Total public works	<u>209,162</u>	<u>223,968</u>	<u>202,685</u>	<u>(21,283)</u>
Parks and recreation:				
Parks	16,316	16,368	12,295	(4,073)
Opera house	6,417	6,417	3,003	(3,414)
Community center	9,663	9,663	8,479	(1,184)
Total parks and recreation	<u>32,396</u>	<u>32,448</u>	<u>23,777</u>	<u>(8,671)</u>
Capital outlay	<u>86,311</u>	<u>57,477</u>	<u>20,493</u>	<u>(36,984)</u>
Debt service:				
Principal	5,000	5,000	38,162	33,162
Interest	10,000	10,902	10,902	-
Total expenditures	<u>686,837</u>	<u>615,173</u>	<u>546,196</u>	<u>(68,977)</u>
Revenue over (under) expenditures	<u>(54,204)</u>	<u>(26,691)</u>	<u>31,718</u>	<u>58,409</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	12,000	18,000	18,000	-
Transfers in	-	-	13,500	13,500
Transfers out	-	(92,126)	(111,184)	(19,058)
Total other financing sources (uses)	<u>12,000</u>	<u>(74,126)</u>	<u>(79,684)</u>	<u>(5,558)</u>
Net change in fund balance	<u>(42,204)</u>	<u>(100,817)</u>	<u>(47,966)</u>	<u>52,851</u>
Fund balance, beginning of year, as restated	<u>261,555</u>	<u>261,555</u>	<u>301,430</u>	<u>39,875</u>
Fund balance, end of year	<u>\$ 219,351</u>	<u>\$ 160,738</u>	<u>\$ 253,464</u>	<u>\$ 92,726</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
Major Streets Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenue				
Property taxes	\$ 20,836	\$ 20,836	\$ 20,426	\$ (410)
Intergovernmental	57,200	62,000	67,411	5,411
Interest	1,000	2,000	5,222	3,222
Total revenue	79,036	84,836	93,059	8,223
Expenditures				
Public works:				
Street construction	-	11,000	10,361	(639)
Street maintenance	3,509	4,509	4,505	(4)
Curb construction	28,679	28,679	1,691	(26,988)
Curb maintenance	3,736	6,836	6,029	(807)
Signs and signals	3,209	4,209	3,298	(911)
Winter maintenance	13,926	11,926	1,630	(10,296)
Tree removal	914	914	-	(914)
Administrative	6,043	5,943	4,261	(1,682)
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	7,250	7,250	6,670	(580)
Total expenditures	77,266	91,266	48,445	(42,821)
Net change in fund balance	1,770	(6,430)	44,614	51,044
Fund balance, beginning of year, as restated	89,391	89,391	99,505	10,114
Fund balance, end of year	\$ 91,161	\$ 82,961	\$ 144,119	\$ 61,158

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
Local Streets Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenue				
Property taxes	\$ 67,453	\$ 72,866	\$ 69,019	\$ (3,847)
Intergovernmental	26,300	28,300	31,121	2,821
Interest	600	600	2,069	1,469
Total revenue	94,353	101,766	102,209	443
Expenditures				
Public works:				
Street construction	1,736	4,236	4,107	(129)
Street maintenance	3,903	4,509	4,017	(492)
Curb construction	1,335	1,335	40	(1,295)
Curb maintenance	1,341	3,841	3,612	(229)
Signs and signals	1,828	2,328	2,527	199
Winter maintenance	9,419	9,419	1,885	(7,534)
Tree removal	713	713	-	(713)
Sidewalks	-	-	21,070	21,070
Administrative	6,736	5,539	4,338	(1,201)
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	32,500	32,500	37,556	5,056
Total expenditures	79,511	84,420	99,152	14,732
Net change in fund balance	14,842	17,346	3,057	(14,289)
Fund balance, beginning of year, as restated	46,219	46,219	46,219	-
Fund balance, end of year	\$ 61,061	\$ 63,565	\$ 49,276	\$ (14,289)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
Fire Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenue				
Charges for service	\$ -	\$ 51,626	\$ 51,626	\$ -
Interest	-	-	2,121	2,121
Other revenue	-	-	362	362
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	-	51,626	54,109	2,483
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Public safety:				
Wages and benefits	-	32,901	33,032	131
Insurance	-	5,089	4,982	(107)
Contracted services	-	500	500	-
Dues and training	-	1,500	1,590	90
Repairs and maintenance	-	9,167	11,889	2,722
Utilities	-	4,878	5,180	302
Materials and supplies	-	6,404	12,954	6,550
Other	-	2,000	(12)	(2,012)
Capital outlay	-	62,129	33,874	(28,255)
Debt service:				
Principal	-	-	23,662	23,662
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	124,568	127,651	3,083
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	(72,942)	(73,542)	(600)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources				
Transfers in	-	51,626	88,684	37,058
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	(21,316)	15,142	36,458
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, (deficit), end of year	<u>\$ -</u>	<u>\$ (21,316)</u>	<u>\$ 15,142</u>	<u>\$ 36,458</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Net Assets
Enterprise Funds
December 31, 2006

	Water	Sewer	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 54,654	\$ 39,606	\$ 94,260
Accounts receivable	14,308	13,354	27,662
Due from other governments	4,174	-	4,174
Due from other funds	48,763	13,765	62,528
Prepaid expenses	340	177	517
Total current assets	122,239	66,902	189,141
Non-current assets:			
Capital assets, net	585,558	768,762	1,354,320
Total assets	707,797	835,664	1,543,461
Liabilities			
Current liabilities:			
Accounts payable	562	3,992	4,554
Due to other funds	87,534	2,871	90,405
Unearned revenue	-	2,184	2,184
Current portion of long-term debt	20,000	-	20,000
Total liabilities	108,096	9,047	117,143
Net assets			
Invested in capital assets, net of related debt	565,558	768,762	1,334,320
Unrestricted	34,143	57,855	101,493
Total net assets	\$ 599,701	\$ 826,617	\$ 1,426,318

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Revenue, Expenses,
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2006

	Water	Sewer	Total
Operating revenue			
Charges for services	\$ 129,980	\$ 88,852	\$ 218,832
Connection charges	-	549	549
Penalties and fees	2,071	1,547	3,618
Intergovernmental	11,159	-	11,159
Other revenue	17,656	18	17,674
	<u>160,866</u>	<u>90,966</u>	<u>251,832</u>
Operating expenses			
Wages and benefits	42,437	18,398	60,835
Operating supplies	23,323	10,801	34,124
Dues and training	1,732	950	2,682
Contractual services	18,124	1,220	19,344
Insurance	856	522	1,378
Repairs and maintenance	6,273	12,647	18,920
Professional Services	1,603	17,613	19,216
Utilities	9,473	3,354	12,827
Equipment Usage	7,386	4,405	11,791
Depreciation	26,635	63,964	90,599
Miscellaneous	200	-	200
	<u>138,042</u>	<u>133,874</u>	<u>271,916</u>
Total operating expenses	<u>138,042</u>	<u>133,874</u>	<u>271,916</u>
Operating income (loss)	<u>22,824</u>	<u>(42,908)</u>	<u>(20,084)</u>
Non-operating revenue (expense)			
Interest on investments	1,037	2,442	3,479
Interest expense and fiscal charges	(1,890)	-	(1,890)
	<u>(853)</u>	<u>2,442</u>	<u>1,589</u>
Total non-operating revenue (expense)	<u>(853)</u>	<u>2,442</u>	<u>1,589</u>
Net income (loss)	21,971	(40,466)	(18,495)
Transfers in	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Change in fund net assets	30,971	(40,466)	(9,495)
Net assets, beginning of year	<u>568,730</u>	<u>867,083</u>	<u>1,435,813</u>
Net assets, end of year	<u><u>\$ 599,701</u></u>	<u><u>\$ 826,617</u></u>	<u><u>\$ 1,426,318</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2006

	Water	Sewer	Total
Cash flows from operating activities			
Cash received from customers	\$ 94,480	\$ 66,789	\$ 161,269
Cash payments to suppliers for goods and services	10,182	(49,231)	(39,049)
Cash payments to employees for services	(42,437)	(18,398)	(60,835)
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by operating activities	62,225	(840)	61,385
	<hr/>	<hr/>	<hr/>
Cash flows from non-capital financing activities			
Transfers in	9,000	-	9,000
	<hr/>	<hr/>	<hr/>
Cash flows from capital and related financing activities			
Principal paid on bonds payable	(20,000)	-	(20,000)
Interest paid on bonds payable	(1,890)	-	(1,890)
Construction/acquisition of capital assets	(9,565)	(3,450)	(13,015)
	<hr/>	<hr/>	<hr/>
Net cash used by capital and related financing activities	(31,455)	(3,450)	(34,905)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Interest on investments	1,037	2,442	3,479
	<hr/>	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	40,807	(1,848)	38,959
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	13,847	41,454	55,301
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, end of year	<u><u>\$ 54,654</u></u>	<u><u>\$ 39,606</u></u>	<u><u>\$ 94,260</u></u>

Non-Cash Transactions:

There were no significant non-cash transactions during the year ended December 31, 2006.

continued...

VILLAGE OF CONCORD, MICHIGAN
Statement of Cash Flows
Enterprise Funds (Concluded)
For the Year Ended December 31, 2006

	Water	Sewer	Total
Reconciliation of operating income to cash flows from operating activities			
Operating income (loss)	\$ 22,824	\$ (42,908)	\$ (20,084)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	26,635	63,964	90,599
Changes in assets and liabilities:			
Accounts receivable	(13,449)	(10,412)	(23,861)
Due from other governments	(4,174)	-	(4,174)
Due from other funds	(48,763)	(13,765)	(62,528)
Prepaid expenses	(118)	(6)	(124)
Accounts payable	(2,070)	3,761	1,691
Due to other funds	81,340	(875)	80,465
Unearned revenue	-	(599)	(599)
Net cash provided by (used in) operating activities	\$ 62,225	\$ (840)	\$ 61,385

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CONCORD, MICHIGAN
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund - Agency
December 31, 2006

Assets

Cash and cash equivalents	<u>\$ 8,009</u>
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Liabilities

Accounts payable	<u>\$ 8,009</u>
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The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Village of Concord (the “government” or “Village”) is a general law village governed by an elected president and a nine-member board. The Village has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the construction, maintenance and repairs of all major streets. Revenues received include state-shared gas and weight taxes, local contributions, etc. This is a special revenue fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

The *local streets fund* accounts for the construction, maintenance and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, etc. This is a special revenue fund because it is used to control the expenditures of motor fuel taxes, which are earmarked by law and the state constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

The *fire fund* is used to account for the earmarked revenues set aside for the purpose of operating the fire department. This fund is classified as a special revenue fund because of the comparatively limited usage of the assets in this fund.

The *capital projects fund* accounts for earmarked revenue set aside for public improvements of a major nature. Revenue sources include general fund transfers, grants from other units of government, private contributions and bond proceeds, if any.

The government reports the following major proprietary funds:

The *water fund* accounts for the operation and maintenance of the water supply system, capital additions and improvements to the system and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because it is funded primarily through user charges.

The *sewer fund* accounts for the operation and maintenance of the sewage disposal system and capital additions and improvements to the system. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because it is funded primarily through user charges.

Additionally, the government reports the following fund types:

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *agency fund* accounts for assets held for other governments in an agency capacity.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Vehicles	5-10
Equipment	5-20

4. *Compensated absences*

It is the government’s policy to permit eligible employees to accumulate earned but unused vacation pay benefits. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

5. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to January 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2006, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
General fund:			
General government:			
General administrative	\$ 26,988	\$ 27,739	\$ 751
Public safety:			
Inspectors	2,797	3,755	958
Public works:			
Motor pool	38,482	41,691	3,209
Trees	17,641	17,734	93
Principal	5,000	38,162	33,162
Transfers out	92,126	111,184	19,058
Local streets fund:			
Signs and signals	2,328	2,527	199
Sidewalks	-	21,070	21,070
Interest	32,500	37,556	5,056
Fire fund:			
Public safety	124,568	127,651	3,083

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 555,676
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Statement of Fiduciary Assets and Liabilities:

Agency Fund:

Cash and cash equivalents	<u>8,009</u>
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\$ 563,685

Classification of Deposit and Investments:

Bank deposits (checking and savings accounts)	\$ 139,062
Investments	424,573
Cash on hand	<u>50</u>

\$ 563,685

Deposits and investments

The Village chooses to disclose its deposits and investments by specifically identifying each. As of year end, the Village had the following deposits and investments.

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Checking and savings accounts	n/a	\$ 139,062	n/a
Money market accounts	n/a	<u>424,573</u>	n/a
		<u>\$ 563,635</u>	

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Village does not have an investment policy with specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Village does not have an investment policy with specific limits in excess of state law on investment credit risk. Investments which had credit risk ratings at year end are noted above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$68,785 of the Township's bank balance of \$168,785 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village's investments in money market accounts are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village does not have an investment policy with specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables as of year end are as follows:

	Governmental Activities	Business-type Activities	Total	Amounts Not Expected to be Collected Within One Year
Receivables:				
Accounts receivable	\$ 114,699	\$ 27,662	\$ 142,361	\$ 85,585
Taxes receivable	30,152	-	30,152	-
Due from other governments	53,049	4,174	57,223	-
Total receivables	\$ 197,900	\$ 31,836	\$ 229,736	\$ 85,585

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Capital assets being depreciated:				
Equipment	317,309	12,929	9,730	320,508
Vehicles	617,026	10,500	-	627,526
Infrastructure	1,560,267	454,712	-	2,014,979
Total capital assets being depreciated	2,494,602	478,141	9,730	2,963,013
Less accumulated depreciation for:				
Equipment	104,757	31,753	9,730	126,780
Vehicles	356,342	61,218	-	417,560
Infrastructure	459,200	88,800	-	548,000
Total accumulated depreciation	920,299	181,771	9,730	1,092,340
Total capital assets being depreciated, net	1,574,303	296,370	-	1,870,673
Governmental activities capital assets, net	\$ 1,714,303	\$ 296,370	\$ -	\$ 2,010,673
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 45,619	\$ -	\$ -	\$ 45,619
Capital assets being depreciated:				
System	3,030,576	13,015	-	3,043,591
Less accumulated depreciation for:				
System	1,644,291	90,599	-	1,734,890
Total capital assets being depreciated, net	1,386,285	(77,584)	-	1,308,701
Business-type activities capital assets, net	\$ 1,431,904	\$ (77,584)	\$ -	\$ 1,354,320

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Depreciation expense for governmental activities was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Depreciation expense for business-type activities was charged to functions/programs government as follows:

Water	\$ 26,635
Sewer	<u>63,964</u>
Total depreciation expense – business-type activities	<u>\$ 90,599</u>

D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 16,858	\$ 4,554	\$ 21,412
Deposits payable	<u>1,125</u>	<u>-</u>	<u>1,125</u>
	<u>\$ 17,983</u>	<u>\$ 4,554</u>	<u>\$ 22,537</u>

E. Interfund receivables, payables and transfers

At December 31, 2006, interfund receivables and payables consisted of the following:

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 65,649	\$ 18,557
Major streets fund	5,142	1,136
Local streets fund	3,012	21,678
Fire fund	-	4,554
Non-major governmental fund	-	1
Water fund	48,763	87,534
Sewer fund	<u>13,765</u>	<u>2,871</u>
	<u>\$ 136,331</u>	<u>\$ 136,331</u>

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

The Village often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 13,500	\$ 111,184
Fire fund	88,684	-
Water fund	<u>9,000</u>	<u>-</u>
	<u>\$ 111,184</u>	<u>\$ 111,184</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds, which had an original issuance amount of \$1,215,000, currently outstanding are as follows:

Governmental Activities

	<u>Due</u>	<u>Installments</u>	<u>Interest Rate</u>	<u>Amount</u>
1993 Major Streets	2013	\$5,000 - \$20,000	2.80% - 5.80%	\$ 105,000
2005 Local Streets	2025	\$25,000 - \$65,000	4.00% - 4.50%	<u>825,000</u>
				<u>\$ 930,000</u>

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Annual debt service requirement to maturity for governmental activities general obligation bonds are as follows:

Year	Principal	Interest	Total
2007	\$ 40,000	\$ 41,265	\$ 81,265
2008	45,000	39,485	84,485
2009	45,000	39,215	84,215
2010	45,000	35,345	80,345
2011	50,000	33,275	83,275
2012-2016	225,000	133,165	358,165
2017-2021	240,000	85,588	325,588
2022-2025	240,000	27,675	267,675
	<u>\$ 930,000</u>	<u>\$ 435,013</u>	<u>\$ 1,365,013</u>

Business-type Activities

	<u>Due</u>	<u>Installments</u>	<u>Interest</u>	<u>Amount</u>
1997 Water Bond	2007	\$20,000	4.90%	<u>\$ 20,000</u>

Annual debt service requirement to maturity for business-type activities general obligation bonds are as follows:

Year	Principal	Interest	Total
2007	<u>\$ 20,000</u>	<u>\$ 1,675</u>	<u>\$ 21,675</u>

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

Capital Leases Payable – The Village has entered into various capital lease agreements for equipment. The original amount of the lease obligations was \$217,271 for governmental activities. Capital leases payable outstanding as of December 31, 2006 are as follows:

	<u>Due</u>	<u>Annual Payment</u>	<u>Interest Rate</u>	<u>Amount</u>
1999 Kenworth Pumper	2008	\$12,164	5.71%	\$ 32,482
2000 Ford Truck	2011	\$17,670	5.654%	51,729
2005 Police Car	2008	\$ 3,733	6.00%	10,558
				<u><u>\$ 94,769</u></u>

Annual debt service requirement to maturity for governmental activities capital leases payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 31,958	\$ 5,342	\$ 37,300
2008	30,086	3,481	33,567
2009	10,315	1,849	12,164
2010	10,898	1,266	12,164
2011	11,512	651	12,163
	<u>\$ 94,769</u>	<u>\$ 12,589</u>	<u>\$ 107,358</u>

Changes in Long-Term Debt. Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 965,000	\$ -	\$ 35,000	\$ 930,000	\$ 40,000
Capital leases payable	151,593	-	56,824	94,769	31,958
Compensated absences	13,533	4,971	5,527	12,977	12,977
	<u>1,130,126</u>	<u>4,971</u>	<u>97,351</u>	<u>1,037,746</u>	<u>84,935</u>
Business-type activities:					
Bonds payable	40,000	-	20,000	20,000	20,000
Total primary government	<u><u>\$ 1,170,126</u></u>	<u><u>\$ 4,971</u></u>	<u><u>\$ 117,351</u></u>	<u><u>\$ 1,057,746</u></u>	<u><u>\$ 104,935</u></u>

VILLAGE OF CONCORD, MICHIGAN

Notes To Financial Statements

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each July 1 on the taxable value of property located in the Village as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Village for the 2006 levy was assessed at \$22,475,614. The government's general operating tax rate for 2006 fiscal year was 10.6127 mills with .9711 mills and 3.2736 mills levied for major and local streets, respectively. The revenue generated by the general operating millage is accounted for in the general fund, while revenue related to the additional millages are accounted for in the major and local streets special revenue funds.

B. Retirement Plan

The Village has established a defined contribution pension plan. The Village contributes 5% of gross pay into individual retirement accounts for all employees who work at least 30 hours per week. The Police Chief receives 6% of gross pay. Total contributions for the year ended December 31, 2006 were \$10,039 based on qualifying wages of \$199,283.

On April 22, 1997, the Village adopted a section 457 deferred compensation plan. Employees working at least 30 hours per week qualify to participate. The Village has no obligation for providing post employment benefits.

C. Related Party Activity

The Village purchased fuel and various repair and maintenance items from Jenks Oil Company, a company owned by the former Village President. Total related party activity for the year ended December 31, 2006 was \$12,466.

D. Restatements

Beginning fund balance for the general, major streets and local streets funds were increased by \$39,875, \$10,114 and \$4,492 respectively to properly recognize revenue that was collected within 60 days of the fiscal year ended December 31, 2005. Beginning net assets for governmental activities were increased by \$54,480 to properly recognize revenue.

* * * * *

INDIVIDUAL FUND SCHEDULES

VILLAGE OF CONCORD, MICHIGAN
Detailed Schedule of Revenue - Budget and Actual
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenue				
Property taxes:				
Current taxes-real	\$ 204,928	\$ 217,454	\$ 201,716	\$ (15,738)
Current taxes-personal	19,316	19,316	19,374	58
Interest, penalties and administrative fee	3,242	3,242	4,317	1,075
	<u>227,486</u>	<u>240,012</u>	<u>225,407</u>	<u>(14,605)</u>
Total property taxes				
Intergovernmental revenue:				
State:				
State shared revenue	116,545	116,545	112,459	(4,086)
Liquor license	700	700	1,102	402
Act 32	500	500	500	-
Other Governments:				
Concord Township	102,022	49,165	50,338	1,173
Village of Hanover	4,000	4,000	5,255	1,255
	<u>223,767</u>	<u>170,910</u>	<u>169,654</u>	<u>(1,256)</u>
Total intergovernmental revenue				
Licenses and permits	<u>2,500</u>	<u>3,500</u>	<u>3,915</u>	<u>415</u>
Charges for service	<u>111,500</u>	<u>111,600</u>	<u>122,350</u>	<u>10,750</u>
Other revenue:				
Donations	-	-	60	60
Penalties and fees	1,000	1,000	1,824	824
Interest	2,000	3,000	4,904	1,904
Building rental	22,400	20,800	19,969	(831)
Equipment rental	29,300	23,300	13,883	(9,417)
Police fines	8,000	8,000	5,962	(2,038)
Franchise fees	3,680	3,260	3,259	(1)
Proceeds from insurance	-	1,900	2,973	1,073
Miscellaneous	1,000	1,200	3,754	2,554
	<u>67,380</u>	<u>62,460</u>	<u>56,588</u>	<u>(5,872)</u>
Total other revenue				
Total revenue	<u>\$ 632,633</u>	<u>\$ 588,482</u>	<u>\$ 577,914</u>	<u>\$ (10,568)</u>

VILLAGE OF CONCORD, MICHIGAN
Detailed Schedule of Expenditures and Other Financing
Sources and Uses - Budget and Actual
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures				
General government:				
Village Council:				
Wages and benefits	\$ 8,138	\$ 8,138	\$ 7,024	\$ (1,114)
Materials and supplies	6,094	6,497	4,510	(1,987)
Total Village Council	<u>14,232</u>	<u>14,635</u>	<u>11,534</u>	<u>(3,101)</u>
Village President:				
Wages and benefits	4,091	4,091	3,552	(539)
Materials and supplies	1,320	1,320	1,285	(35)
Total Village President	<u>5,411</u>	<u>5,411</u>	<u>4,837</u>	<u>(574)</u>
Clerk:				
Wages and benefits	48,472	44,997	41,259	(3,738)
Materials and supplies	4,100	4,100	3,055	(1,045)
Contracted services	200	200	-	(200)
Total Clerk	<u>52,772</u>	<u>49,297</u>	<u>44,314</u>	<u>(4,983)</u>
Treasurer:				
Wages and benefits	1,941	1,941	1,669	(272)
Materials and supplies	300	300	359	59
Total Treasurer	<u>2,241</u>	<u>2,241</u>	<u>2,028</u>	<u>(213)</u>
Buildings and grounds:				
Wages and benefits	6,610	9,429	5,773	(3,656)
Materials and supplies	5,898	5,898	1,241	(4,657)
Utilities	12,620	12,620	12,275	(345)
Repairs and maintenance	3,000	3,000	1,360	(1,640)
Contracted services	950	950	1,608	658
Total buildings and grounds	<u>29,078</u>	<u>31,897</u>	<u>22,257</u>	<u>(9,640)</u>
General administrative	<u>15,977</u>	<u>26,988</u>	<u>27,739</u>	<u>751</u>
Total general government	<u>119,711</u>	<u>130,469</u>	<u>112,709</u>	<u>(17,760)</u>

VILLAGE OF CONCORD, MICHIGAN
Detailed Schedule of Expenditures and Other Financing
Sources and Uses - Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures (continued)				
Public Safety:				
Police Department:				
Wages and benefits	\$ 126,371	\$ 126,371	\$ 111,544	\$ (14,827)
Materials and supplies	18,119	19,891	16,461	(3,430)
Contracted services	500	500	500	-
	<u>144,990</u>	<u>146,762</u>	<u>128,505</u>	<u>(18,257)</u>
Total police				
Fire Department:				
Wages and benefits	39,292	-	-	-
Insurance	4,593	-	-	-
Materials and supplies	18,032	-	-	-
Contracted services	500	-	-	-
Hydrant rental	9,000	-	-	-
	<u>71,417</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fire				
Inspectors:				
Wages and benefits	-	97	97	-
Materials and supplies	700	700	650	(50)
Contracted services	2,000	2,000	3,008	1,008
	<u>2,700</u>	<u>2,797</u>	<u>3,755</u>	<u>958</u>
Total inspectors				
Planning Commission:				
Wages and benefits	4,650	4,650	4,602	(48)
Materials and supplies	500	700	606	(94)
	<u>5,150</u>	<u>5,350</u>	<u>5,208</u>	<u>(142)</u>
Total planning commission				
Total public safety	<u>224,257</u>	<u>154,909</u>	<u>137,468</u>	<u>(17,441)</u>
Public works:				
Motor pool:				
Wages and benefits	6,466	12,006	11,467	(539)
Materials and supplies	14,976	9,976	13,916	3,940
Repairs and maintenance	5,000	10,000	12,025	2,025
Contracted services	-	-	180	180
Insurance	6,500	6,500	4,103	(2,397)
	<u>32,942</u>	<u>38,482</u>	<u>41,691</u>	<u>3,209</u>
Total motor pool				
	-38-			

VILLAGE OF CONCORD, MICHIGAN
Detailed Schedule of Expenditures and Other Financing
Sources and Uses - Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures (continued)				
Public works (continued):				
Trees:				
Wages and benefits	\$ 3,237	\$ 3,537	\$ 3,242	\$ (295)
Materials and supplies	324	524	312	(212)
Contracted services	12,000	13,580	14,180	600
Total trees	15,561	17,641	17,734	93
Sidewalks:				
Wages and benefits	13,919	17,105	6,084	(11,021)
Materials and supplies	9,688	11,688	455	(11,233)
Total sidewalks	23,607	28,793	6,539	(22,254)
Streetlights	15,000	16,000	15,911	(89)
Rubbish collection:				
Wages and benefits	10,083	11,083	17,745	6,662
Materials and supplies	1,969	1,969	1,665	(304)
Contracted services	110,000	110,000	101,400	(8,600)
Total rubbish collection	122,052	123,052	120,810	(2,242)
Total public works	209,162	223,968	202,685	(21,283)
Parks and recreation:				
Parks:				
Wages and benefits	12,769	12,769	7,950	(4,819)
Materials and supplies	2,412	2,464	1,884	(580)
Utilities	1,135	1,135	1,137	2
Contracted services	-	-	1,324	1,324
Total parks	16,316	16,368	12,295	(4,073)
Opera House:				
Wages and benefits	913	913	166	(747)
Materials and supplies	1,891	1,891	348	(1,543)
Utilities	3,613	3,613	2,489	(1,124)
Total Opera House	6,417	6,417	3,003	(3,414)

VILLAGE OF CONCORD, MICHIGAN
Detailed Schedule of Expenditures and Other Financing
Sources and Uses - Budget and Actual (Concluded)
General Fund
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures (continued)				
Parks and recreation (continued):				
Community center:				
Wages and benefits	\$ 1,617	\$ 1,617	\$ 1,659	\$ 42
Materials and supplies	3,598	3,598	2,891	(707)
Utilities	4,448	4,448	3,929	(519)
	<u>9,663</u>	<u>9,663</u>	<u>8,479</u>	<u>(1,184)</u>
Total community center				
	<u>9,663</u>	<u>9,663</u>	<u>8,479</u>	<u>(1,184)</u>
Total parks and recreation	<u>32,396</u>	<u>32,448</u>	<u>23,777</u>	<u>(8,671)</u>
Capital Outlay:				
Building and grounds	5,000	5,000	239	(4,761)
Motor pool	40,477	52,477	20,254	(32,223)
Fire department	40,834	-	-	-
	<u>86,311</u>	<u>57,477</u>	<u>20,493</u>	<u>(36,984)</u>
Total capital outlay				
	<u>86,311</u>	<u>57,477</u>	<u>20,493</u>	<u>(36,984)</u>
Debt service:				
Principal	5,000	5,000	38,162	33,162
Interest	10,000	10,902	10,902	-
	<u>15,000</u>	<u>15,902</u>	<u>49,064</u>	<u>33,162</u>
Total debt service				
	<u>15,000</u>	<u>15,902</u>	<u>49,064</u>	<u>33,162</u>
Total expenditures	<u>\$ 686,837</u>	<u>\$ 615,173</u>	<u>\$ 546,196</u>	<u>\$ (68,977)</u>
Other financing sources (uses)				
Proceeds from the sale of capital assets	\$ 12,000	\$ 18,000	\$ 18,000	\$ -
Transfers in	-	-	13,500	13,500
Transfers out	-	(92,126)	(111,184)	(19,058)
	<u>-</u>	<u>(92,126)</u>	<u>(111,184)</u>	<u>(19,058)</u>
Total other financing sources (uses)	<u>\$ 12,000</u>	<u>\$ (74,126)</u>	<u>\$ (79,684)</u>	<u>\$ (5,558)</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



June 21, 2007

To the Village Council of the
Village of Concord
Concord, Michigan

We have audited the financial statements of Village of Concord for the year ended December 31, 2006, and have issued our report thereon dated June 21, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 24, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Concord. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Concord are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Village of Concord during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village of Concord's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the adjustments we proposed, whether recorded or unrecorded by the Village of Concord, either individually or in the aggregate, indicate matters that could have a significant effect on the Village of Concord's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Concord's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Village Council and management and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.

Village of Concord

Comments and Recommendations

For the Year Ended December 31, 2006

In planning and performing our audit of the financial statements of the Village of Concord as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that certain deficiencies, as described below, constitute material weaknesses.

Significant Deficiencies

Bank Reconciliation Process

Criteria: The Michigan Department of Treasury has recently issued guidance re-emphasizing its position as stated in the *Uniform Accounting Procedures Manual* that local units of government are required to prepare bank reconciliations for all cash accounts monthly. Auditors are now required to report to the Local Audit and Finance Division whether all bank reconciliations examined in connection with our audit were performed timely (i.e., within six weeks of each month end). In addition, to ensure good internal controls, bank reconciliations should be reviewed by a responsible official and both the preparer and the reviewer should initial and date the reconciliation as evidence.

Condition: The Village did not complete its December 2006 bank reconciliation in a timely manner and currently has a backlog of several months worth of bank statements that have not be reconciled. We also noted during our auditing procedures related to cash, that bank reconciliations are not being reviewed by a responsible official other than the preparer.

Village of Concord

Comments and Recommendations (Continued)

For the Year Ended December 31, 2006

- Cause:** The cause of this condition is two-fold; 1) the recent turnover at the Village has required new officials who are unfamiliar with the Village's operations to step in and take over the bank reconciliation process and 2) the Village has a small staff which makes independent review of bank reconciliations difficult. The Village also has 16 bank accounts (more than most municipalities this size), which adds to the time it takes to complete the reconciliation process.
- Effect:** As a result of this condition, the Village is not reconciling its bank accounts on a timely basis which increases the likelihood an error will go unnoticed and decreases the value of interim financial reports.
- Recommendation:** We recommend that the Village strive to complete bank reconciliations within six weeks of month end. In addition, to strengthen internal controls in this area, bank reconciliations should be reviewed by a responsible official with a working knowledge of the Village's bank accounts. To document the preparation and subsequent review, bank reconciliations should be initialed and dated by both the preparer and reviewer. The Village may also want to investigate different options for its cash accounts, specifically looking at the benefits of having one pooled checking account for all funds.

Preparation and Review of Journal Entries

- Criteria:** An important component of any internal control system is the independent review of journal entries as a check for accuracy, completeness and appropriateness.
- Condition:** As a part of our procedures related to Statements on Auditing Standards (SAS) No. 99, we reviewed the Village's procedures related to journal entries and noted that once a journal entry is prepared, there is no independent review by another official.
- Cause:** This condition is the result of past practice of only one employee handling the general ledger function and lack of knowledgeable personnel dedicated to the Village's accounting function.
- Effect:** This condition increases the likelihood that an inappropriate or fraudulent journal entry could be posted to the general ledger and not be detected. Also, it decreases the usefulness of interim financial reports because the probability that an "honest error" would not be caught is also significant.
- Recommendation:** We recommend that a responsible official review journal entries after they are prepared as a check for journal entry appropriateness and completeness. This review should be done by an individual who has knowledge of the Village's general ledger system and chart of accounts. The preparation and review should be documented by initialing and dating the printed copy of the entry.

Village of Concord

Comments and Recommendations (Continued)

For the Year Ended December 31, 2006

Material Weaknesses

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Village's assets.

Condition: During the course of our audit, we noted several instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls. Specifically, we found that the following incompatible functions are being performed by the same individual:

- The physical receipting of cash and checks is done by individuals who also prepare and make bank deposits.
- The individual who prepares bank reconciliations also handles cash receipts and disbursements.
- The individual who authorizes transfers between bank accounts also prepares the bank reconciliations and has access to the general ledger.
- When two or more key financial duties are being performed by the same individual, his or her work is not being reviewed by another responsible official.

Cause: As is the case with many organizations of similar size, the Village lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Also, it is our understanding that past practice has been one employee performs the majority of the accounting functions.

Effect: As a result of this condition, the Village's current system of internal control has no safeguards in place to ensure that fraud or abuse is being prevented. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Village of Concord

Comments and Recommendations (Continued)

For the Year Ended December 31, 2006

Preparation of Financial Statements in Accordance with GAAP

- Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
- Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, primarily, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.
- Cause:** This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, primarily, on its external auditors for assistance with this task.

Management Review and Reconciliation of Annual Financial Statements

- Criteria:** Governments are responsible for the accuracy of their financial statements even it relies on its external auditors for assistance with this task.
- Condition:** During our preparation of the current year financial statements, we noted instances where the Village's trial balance for the year ended December 31, 2005 did not agree to the audited financial statements.
- Cause:** This condition was caused by the Village's reliance on the external auditor and the lack of review of the financial statements and comparison to the general ledger by the previous accounting personnel.
- Effect:** As a result of this condition, the Village did not have accurate beginning balances in certain of its financial records for 2006.

Village of Concord

Comments and Recommendations (Continued)

For the Year Ended December 31, 2006

Recommendation: We recommend that financial statements be reviewed and compared to the Village's accounting system before being issued. Ideally, all adjustments proposed by the auditors would be posted to the Village's general ledger, making comparison by a responsible official relatively easy.

Other Matters

Investment Policy

Amendments to PA 20 of 1943 (MCL 129.91) require that a municipality's legislative body formally adopt an investment policy to comply with this act. The investment policy must address statutory requirements. Current Village officials could not find where the Council had adopted an investment policy. We recommend that the Village draft and adopt an investment policy in order to comply with the Act. Sample language is available through the Michigan Department of Treasury Local Audit Division's website.

Additional Funds

Michigan law requires that municipalities maintain the minimum number of funds to operate effectively. During 2006, the Village created two new funds, one of which was unnecessary. It appears the only function of the Employee Accrued Benefits fund was to segregate amounts paid for accrued employee leave time upon an employee's departure from the Village. These payments are not required to be segregated, nor are they required to be pre-funded. For financial statement reporting purposes, the activity of this fund has been combined with the general fund.

Training for Accounting Personnel

Currently the Village has one individual who handles the majority of the accounting functions. This individual is new to the position and governmental accounting. It would be beneficial to the Village if software and accounting training opportunities were pursued for employees who work in the accounting function. We also understand that currently when an employee is sick or on vacation, that their duties are not performed by another employee in his/her absence. We recommend that the Village start a "cross-training" process for essential duties and recommend that manuals be created so that in the event of an absence or new hire, the Village is able to continue functioning in a smooth manner.

Safeguarding Assets

The Village has a small safe that houses cash and checks waiting to be deposited as well as important documents. While we were on-site we noticed that the safe was in the public view and was often kept unlocked. This practice increases the likelihood a theft could occur. We recommend that the Village move the safe to a less conspicuous location and keep it locked at all times.

Village of Concord

Comments and Recommendations (Concluded)

For the Year Ended December 31, 2006

Periodic Account Analyses

The Village has not been performing periodic account analyses or reconciliations for many of its balance sheet accounts. A significant effort was undertaken by Village employees and our staff at year end to substantially adjust the Village's accounting records to present information in accordance with generally accepted accounting principles.

While we were ultimately satisfied that the amounts presented in the Village's audited financial statements were fairly presented in all material respects, the significant amount of corrections brings into question whether or not interim financial statements are materially accurate or reliable.

One of the best internal control procedures for verifying the accuracy of the Village's financial information through the year is the periodic analysis of account balances (particularly for balance sheet accounts) to ascertain that:

- Balance sheet accounts are supported by itemized listings of the components comprising the financial statement totals;
- The detail listing is free of obvious errors, unusual reconciling items that suggest the need for adjustment, and mispostings or other clerical errors;
- The balances make sense relative to operational data

Accordingly, we recommend that all balance sheet accounts be analyzed monthly. The analyses should be retained and reviewed by a responsible official other than the preparer as part of the monthly closing cycle. This procedure will provide improved assurance that accounting errors will be detected and corrected in a timely manner, and will provide management and the Village Council more meaningful and useful financial data with which to make their decisions.

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